

1 ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

2 In the Matter of the Mortgage Broker License of:

No. 06F-BD049-BNK

3 **WILLIAM J. RIDGE DBA RIDGE**
4 **MORTGAGE SERVICES AND**
5 **WILLIAM J. RIDGE, OWNER**
4625 E. Broadway, Suite 205
Tucson, AZ 85711

CONSENT ORDER

6 Petitioners.

7
8 On June 5, 2006, the Arizona Department of Financial Institutions ("Department") issued a
9 Notice of Hearing alleging that Petitioners had violated Arizona law. Wishing to resolve this matter
10 in lieu of an administrative hearing, Petitioners do not contest the following Findings of Fact and
11 Conclusions of Law, and consent to the entry of the following Order.

12 **FINDINGS OF FACT**

13 1. Petitioner William J. Ridge dba Ridge Mortgage Services (hereinafter "RMS") is an
14 Oregon corporation transacting business in Arizona as a mortgage broker, license number MB
15 0904549, within the meaning of A.R.S. §§ 6-901, *et seq.* The nature of RMS' business is that of
16 making, negotiating, or offering to make or negotiate loans secured by Arizona real property, within
17 the meaning of A.R.S. § 6-901(6).

18 2. Petitioner William J. Ridge ("Mr. Ridge") owns RMS. Mr. Ridge transacts business
19 in Arizona as a mortgage broker within the meaning of A.R.S. § 6-903(E).

20 3. A December 15, 2005 examination of RMS, conducted by the Department, revealed
21 that RMS and Mr. Ridge:

22 a. Failed to ensure that their Responsible Individual maintained a position of active
23 management and failed to ensure that their Responsible Individual was knowledgeable about
24 Arizona activities; supervised compliance with A.R.S. Title 6, Chapter 9 and other applicable
25 laws and rules; and has sufficient authority to ensure compliance; specifically:

26 ...

- i. The Department's request for information and records from Petitioners prior to the December 15, 2005 examination was not performed or fulfilled;
 - ii. Mr. Ridge, who is the Responsible Individual, successfully requested that the Department's February 1, 2006 exam continuation be conducted in Tigard, Oregon; however, Mr. Ridge was absent on February 1, 2006 because he was in Russia; and
 - iii. Mr. Ridge subsequently designated his office manager, Karen Wright, to meet with Department examiners at the Tigard, Oregon branch on February 1, 2006. Ms. Wright is not familiar with Arizona statutes and rules governing mortgage brokers;
- b. Used an unlicensed name when advertising or soliciting mortgage business; specifically:
- i. Petitioner changed its business entity from a sole proprietorship to a corporation on June 14, 2004 without notifying the Superintendent;
- c. Failed to include its name and correct mortgage broker license number as issued on its principal place of business license within the text of all regulated advertising or business solicitations; specifically:
- i. Petitioners' website, <http://www.rmscompany.com/>, does not include its mortgage broker license;
- d. Failed to conduct the minimum elements of reasonable employee investigations before hiring employees; specifically:
- i. Failed to collect and review all of the documents authorized by the Immigration and Control Act of 1986 for at least five (5) employees;
 - ii. Failed to obtain a completed "I9" (Employment Eligibility Verification Form) when hiring at least five (5) employees;

- 1 iii. Failed to obtain a signed statement attesting to all of an applicant's
2 felony convictions before hiring at least three (3) employees;
3 1. Petitioners' felony inquiries are limited only to Oregon;
4 iv. Failed to consult with the applicant's most recent or next most recent
5 employer before hiring at least four (4) employees;
6 v. Failed to inquire regarding an applicant's qualifications and
7 competence for the position before hiring at least four (4) employees;
8 and
9 vi. Failed to obtain a credit report before hiring at least six (6) employees;
10 e. Failed to obtain at least two (2) branch office licenses from the Superintendent before
11 making, negotiating, or offering to make or negotiate mortgage loans at branch offices;
12 specifically:
13 i. Petitioners negotiated a mortgage loan in Redding, CA, which the
14 Department has no branch record of. The borrower was: Tzuen
15 Hung—Date Funded: September 1, 2004; and
16 ii. Petitioners negotiated two (2) mortgage loans in Tigard, OR prior to
17 the date this office was licensed. The borrowers were: Monica King—
18 Date Funded: May 18, 2005 and Michelle Pernelos—Date Funded:
19 July 15, 2005;
20 f. Failed to keep and maintain, at all times, correct and complete records; specifically:
21 i. Petitioners failed to maintain a complete list of all executed loans;
22 ii. Petitioners failed to maintain a complete and accurate loan log;
23 1. On December 21, 2005, Petitioners provided a defective loan
24 log to the Department that was missing: the loan officers'
25 names; the in-process loans; and denied/withdrawn loans; and
26 2. On February 2, 2006, Petitioners provided a second defective

1 loan log that was missing: the in-process loans;
2 denied/withdrawn loans; and two (2) loans (Ross and Hung);
3 g. Failed to use a statutorily correct written fee agreement signed by all parties
4 whenever accepting advance fees and/or documents in connection with mortgage loan
5 applications;
6 i. Petitioners failed to correct this violation from a prior examination;
7 h. Failed to comply with the disclosure requirements of Title I of the Consumer
8 Protection Act (15 U.S.C. §§ 1601-1666j); the Real Estate Settlement Procedures Act (12 U.S.C.
9 §§ 2601-2617); and the regulations promulgated under these acts; specifically:
10 i. Garreth Gustafson's (borrower) preliminary Good Faith Estimate,
11 Truth in Lending Disclosure, and Servicing Transfer were untimely;
12 i. Permitted two (2) borrowers to sign regulated documents containing blank spaces
13 without first obtaining the proper written authorization from the borrowers to complete the blank
14 spaces; specifically:
15 i. Willard Bigelow's (borrower) first and second loan contained blank
16 spaces in the preliminary Truth in Lending Disclosure;
17 j. Contracted with or paid compensation to at least nine (9) unlicensed, independent
18 contractors; specifically, Petitioners paid:
19 i. Premium Processing at least \$2,081.25;
20 ii. Paul Lieb at least \$3,159.00;
21 iii. Caeli Ridge at least \$14,318.14;
22 iv. Heidi Hechtman at least \$3,548.18;
23 v. Chris Holloway at least \$10,158.91;
24 vi. Steve Ulrich at least \$2,222.01;
25 vii. Judy Sarvis at least \$2,081.66;
26 viii. Dexter Zota at least \$3,009.37; and

- ix. Jaime Reel at least \$1,276.20;
- k. Used an unlawful appraisal disclosure that imposes a 90-day limit upon borrowers to request transfer or return of an appraisal for which they had already paid; and
- l. Made a false promise or misrepresentation or concealed an essential or material fact in the course of the mortgage broker business; specifically:
- i. Petitioners routinely charge an "Administration Fee" ranging from \$15.00 to \$400.00 without disclosing the actual service(s) they provide; and
- ii. Petitioners failed to correct this violation from a prior examination.

4. Based upon the above findings, the Department issued and served upon RMS and Mr. Ridge an Order to Cease and Desist; Notice of Opportunity For Hearing; Consent to Entry of Order ("Cease and Desist Order") on April 11, 2006.

5. On May 11, 2006, Petitioners filed a Request For Hearing to appeal the Cease and Desist Order.

CONCLUSIONS OF LAW

1. Pursuant to A.R.S. §§ 6-901, *et seq.*, the Superintendent has the authority and duty to regulate all persons engaged in the mortgage broker business and with the enforcement of statutes, rules, and regulations relating to mortgage brokers.
2. By the conduct set forth in the Facts, RMS and Mr. Ridge violated the following:
- a. A.R.S. § 6-903(E) and A.A.C. R20-4-102 by failing to ensure that their Responsible Individual maintained a position of active management and by failing to ensure that their Responsible Individual was knowledgeable about Arizona activities; supervised compliance with A.R.S. Title 6, Chapter 9 and other applicable laws and rules; and had sufficient authority to ensure compliance;
- b. A.R.S. § 6-903(M) by using an unlicensed name when advertising or soliciting mortgage business;

- 1 c. A.R.S. § 6-903(M) by failing to include its name and correct mortgage broker
2 license number as issued on its principal place of business license within the text
3 of all regulated advertising or business solicitations;
- 4 d. A.R.S. § 6-903(N) and A.A.C. R20-4-102 by failing to conduct the minimum
5 elements of reasonable employee investigations before hiring employees;
- 6 e. A.R.S. § 6-904(F) by failing to obtain at least two (2) branch office licenses from
7 the Superintendent before making, negotiating, or offering to make or negotiate
8 mortgage loans at branch offices;
- 9 f. A.R.S. § 6-906(A) and A.A.C. R20-4-917(B) by failing to keep and maintain, at
10 all times, correct and complete records;
- 11 g. A.R.S. § 6-906(C) by failing to use a statutorily correct written fee agreement
12 signed by all parties whenever accepting advance fees and/or documents in
13 connection with mortgage loan applications;
- 14 h. A.R.S. § 6-906(D) by failing to comply with the disclosure requirements of Title I
15 of the Consumer Protection Act (15 U.S.C. §§ 1601-1666j); the Real Estate
16 Settlement Procedures Act (12 U.S.C. §§ 2601-2617); and the regulations
17 promulgated under these acts;
- 18 i. A.R.S. § 6-909(A) and A.A.C. R20-4-921 by permitting borrowers to sign
19 regulated documents containing blank spaces without first obtaining the proper
20 written authorization from the borrowers to complete the blank spaces;
- 21 j. A.R.S. § 6-909(B) and A.A.C. R20-4-102 by contracting with or paying
22 compensation to unlicensed, independent contractors;
- 23 k. A.R.S. § 6-906(C) by failing to use a statutorily correct written fee agreement;
24 and
- 25 l. A.R.S. § 6-909(L) by making a false promise or misrepresentation or concealing
26 an essential or material fact in the course of the mortgage broker business.

3. The violations, set forth above, constitute grounds for: (1) the issuance of an order pursuant to A.R.S. § 6-137 directing Petitioners to cease and desist from the violative conduct and to take the appropriate affirmative actions, within a reasonable period of time prescribed by the Superintendent, to correct the conditions resulting from the unlawful acts, practices, and transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-132; (3) the suspension or revocation of Petitioners' license pursuant to A.R.S. § 6-905; and (4) an order or any other remedy necessary or proper for the enforcement of statutes and rules regulating mortgage brokers pursuant to A.R.S. §§ 6-123 and 6-131.

ORDER

1. RMS and Mr. Ridge shall immediately stop the violations set forth in the Findings of Fact and Conclusions of Law. RMS and Mr. Ridge:

- a. Shall ensure that their Responsible Individual maintains a position of active management and shall ensure that their Responsible Individual is knowledgeable about Arizona activities; supervises compliance with A.R.S. Title 6, Chapter 9 and other applicable laws and rules; and has sufficient authority to ensure compliance;
- b. Shall not use an unlicensed name when advertising or soliciting mortgage business;
- c. Shall include its name and correct mortgage broker license number as issued on its principal place of business license within the text of all regulated advertising or business solicitations;
- d. Shall conduct the minimum elements of reasonable employee investigations before hiring employees;
- e. Shall obtain branch office licenses from the Superintendent before making, negotiating, or offering to make or negotiate mortgage loans at branch offices;
- f. Shall keep and maintain, at all times, correct and complete records;

- g. Shall use a statutorily correct written fee agreement signed by all parties whenever accepting advance fees and/or documents in connection with mortgage loan applications;
- h. Shall comply with the disclosure requirements of Title I of the Consumer Protection Act (15 U.S.C. §§ 1601-1666j); the Real Estate Settlement Procedures Act (12 U.S.C. §§ 2601-2617); and the regulations promulgated under these acts;
- i. Shall not permit borrowers to sign regulated documents containing blank spaces without first obtaining the proper written authorization from the borrowers to complete the blank spaces;
- j. Shall not contract with or pay compensation to unlicensed, independent contractors;
- k. Shall use a statutorily correct written fee agreement; and
- l. Shall not make a false promise or misrepresentation or conceal an essential or material fact in the course of the mortgage broker business

2. RMS and Mr. Ridge shall complete a mortgage broker branch license application for the Redding, California address by no later than July 10, 2006.

3. RMS and Mr. Ridge shall verify their correct Arizona address or establish an Arizona address for their principal place of business on or before July 10, 2006.

4. Failure by RMS and Mr. Ridge to comply with this Order shall result in an action by the Department to revoke the mortgage broker license of RMS.

5. William J. Ridge dba Ridge Mortgage Services and William J. Ridge shall immediately pay to the Department a civil money penalty in the amount of nine thousand five hundred dollars (\$9,500.00). William J. Ridge dba Ridge Mortgage Services and William J. Ridge are jointly and severally liable for payment of the civil money penalty.

6. The provisions of this Order shall be binding upon Petitioners, their employees, agents, and other persons participating in the conduct of the affairs of Petitioners.

1 7. This Order shall become effective upon service, and shall remain effective and
2 enforceable until such time as, and except to the extent that, it shall be stayed, modified, terminated,
3 or set aside.

4 SO ORDERED this 20th day of July, 2006.

5
6 
7 Felecia A. Rotellini
Superintendent of Financial Institutions

8 **CONSENT TO ENTRY OF ORDER**

9 1. Petitioners acknowledge that they have been served with a copy of the foregoing
10 Findings of Fact, Conclusions of Law, and Order in the above-referenced matter, have read the
11 same, are aware of their right to an administrative hearing in this matter, and have waived the same.

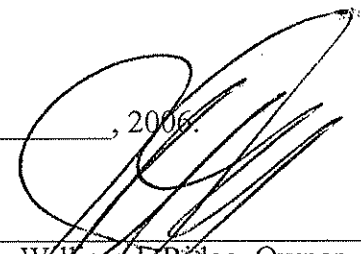
12 2. Petitioners admit the jurisdiction of the Superintendent and consent to the entry of the
13 foregoing Findings of Fact, Conclusions of Law, and Order.

14 3. Petitioners acknowledges that the acceptance of this Agreement by the
15 Superintendent is solely to settle this matter and does not preclude this Department, any other agency
16 or officer of this state or subdivision thereof from instituting other proceedings as may be
17 appropriate now or in the future.

18 4. William J. Ridge, on behalf of William J. Ridge dba Ridge Mortgage Services and
19 himself represents that he is the Owner, and that, as such, has been authorized by Ridge Mortgage
20 Services to consent to the entry of this Order on its behalf.

21 5. Petitioners waive all rights to seek judicial review or otherwise to challenge or contest
22 the validity of this Order.

23 DATED this 6 day of July, 2006.

24
25 By: 
26 William J. Ridge, Owner
William J. Ridge dba Ridge Mortgage Services

1 ORIGINAL of the foregoing filed this 20th
2 day of July, 2006, in the office of:

3 Felecia A. Rotellini, Superintendent of Financial Institutions
4 Arizona Department of Financial Institutions
5 ATTN: June Beckwith
6 2910 N. 44th Street, Suite 310
7 Phoenix, AZ 85018

8 COPY mailed same date to:

9 Diane Mihalsky, Administrative Law Judge
10 Office of the Administrative Hearings
11 1400 West Washington, Suite 101
12 Phoenix, AZ 85007

13 Craig A. Raby, Assistant Attorney General
14 Office of the Attorney General
15 1275 West Washington
16 Phoenix, AZ 85007

17 Robert D. Charlton, Assistant Superintendent
18 Brenda Fung, Senior Examiner
19 Arizona Department of Financial Institutions
20 2910 N. 44th Street, Suite 310
21 Phoenix, AZ 85018

22 AND COPY MAILED SAME DATE by
23 Certified Mail, Return Receipt Requested, to:

24 William J. Ridge, Owner
25 William J. Ridge dba Ridge Mortgage Services
26 4625 E. Broadway, Suite 205
Tucson, AZ 85711
Petitioners

William J. Ridge, Owner
William J. Ridge dba Ridge Mortgage Services
10230 SW Hall Blvd.
Tigard, OR 97223
Petitioners

William J. Ridge
891 N. Date Palm Drive
Gilbert, AZ 85234

25 June Beckwith
26 964615v2, CPA06-146